FINANCE REPORT FOR ET DISCUSSION

September 2015

FINANCIAL OVERVIEW & KEY RISK AREAS

DP Income

Year to date actual income is £8.79M which is within 1% of budget year to date. Given that we are so close to forecasted budget year to date, the full year forecast of £18M is deemed appropriate to remain as the full year forecast. Our annual peaks are in October and then to a lesser extent in January; December is traditionally a low month for fee income. These months will be key in determining the reasonableness of the £18M full year forecast.

Cash Underspend

We continue to forecast an underspend against our budgeted income of just less than £700k.

We will continue to monitor our resources by:

- Review of income forecasts each month for accuracy/ prudence
- Fee income strategic work around how we set our fee levels
- Isolate key spend areas or projects that could be accelerated or put on hold for a quick turnaround if our environment changed with little notice
- Balance sheet reporting and cash flow reports are being developed and will be available once the purchase management system has been installed – expected to be in place by late 2015.

Staff Recruitment

Staff costs pose a significant risk to the business if recruitment cannot keep up with budgeted staff levels.
Although we are showing a significant underspend under staff, recruitment in October is sufficient to mitigate any risk of underspend and pull the actuals into line with budget by the end of November. The situation is being monitored and re-forecasted where appropriate monthly, if and where staffing situations or business needs change.

Due to the decision by HM Treasury that specific approval should have been sought for the Deputy Commissioner salary increases, an administrational fine of £18,400 has been imposed and will be recognised within this financial year. Retrospective approval was given and a briefing note included in the 2014/15 annual report.

Capital Spend

Our 'allocated' capital budget has now been informally confirmed as £850k (formal approval to follow at Budget Version 2) which is a very positive outcome following a month of uncertainty. Although this is a real achievement, we have been assured that this is unlikely to be available in

coming years. Planning has begun on how we can mitigate this risk and liaison meetings are ongoing with the MOJ.

Budget Version 2
We are now reporting internally against Budget Version 2 (BV2), reporting to the MOJ continues to be against BV1 until formal approval has been given. This is now unlikely to be given and rather budget discussions moved directly to DCMS.

Movement of sponsorship from the MOJ to DCMS
Financial meetings between the ICO and DCMS will take place over the coming months with full reporting planned to move across in the New Year. New budget discussions for 2016/17 are solely being held with DCMS. This may change how we shape and report our new budget.

Purchase Management System
Purchase Management System work is underway, a soft launch has already started with key users with a very positive reception and it is expected to be delivered to all staff by the end of October. This will represent a key step forward in financial management in the ICO with no unauthorised purchases and an efficient budget approval process.

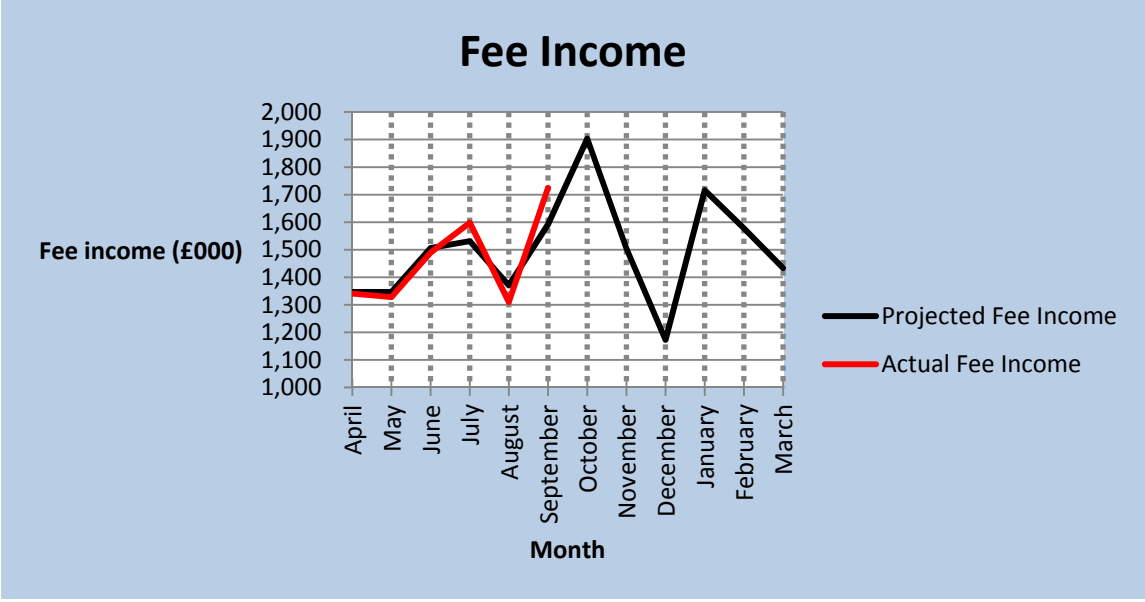
INCOME

Grant-in-aid for freedom of information activities

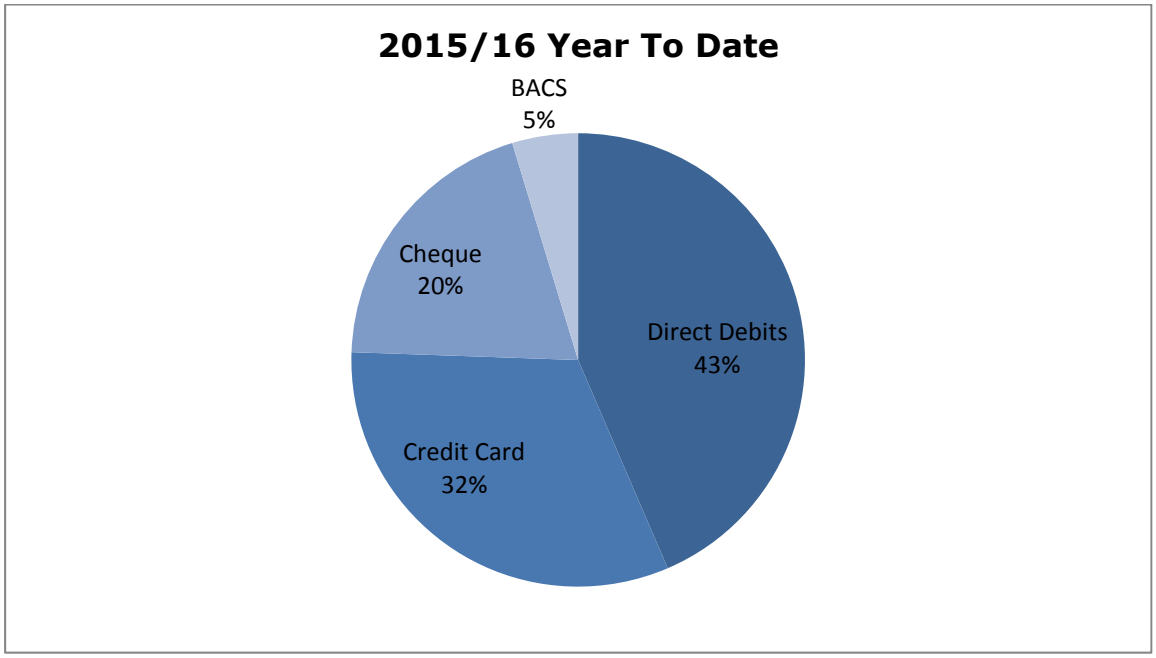
The grant-in-aid available for drawdown over 2015-16 has been confirmed at £3.7M, the first and second tranches of £938k and £921k respectively have been drawn, two further drawdowns are expected in October and January of £921k each.

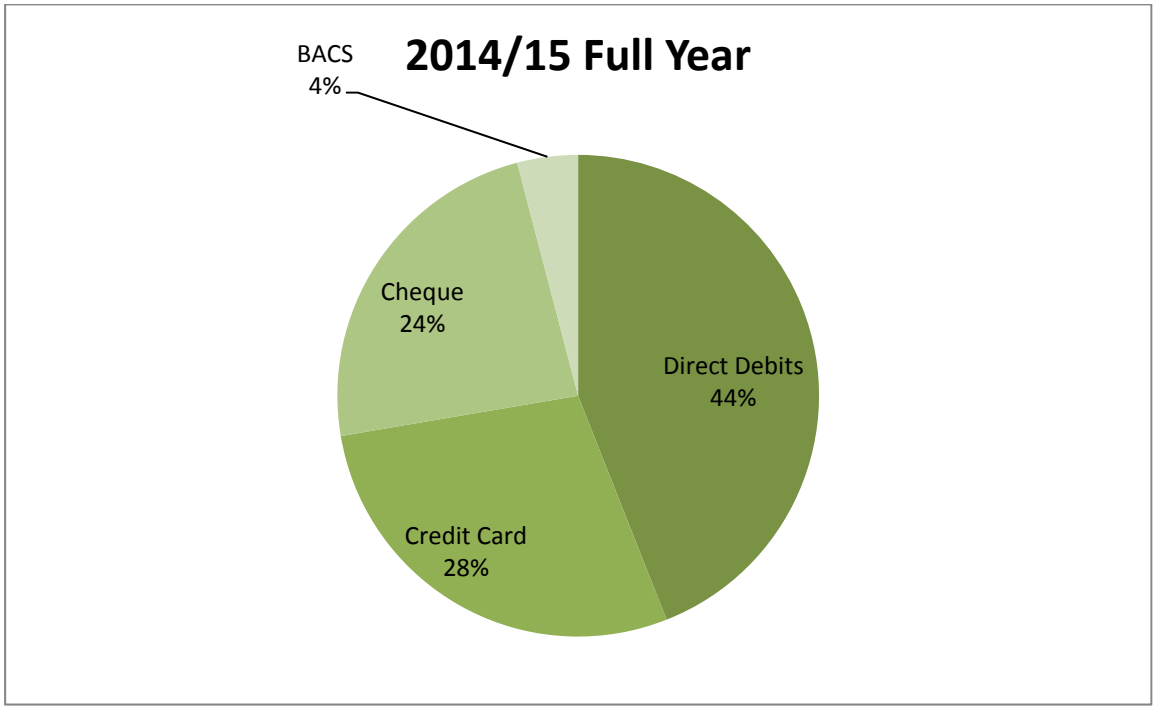
Data Protection fees processed

The chart below shows the actuals vs our current budget for the year 2015/16.



The year to date fee payment method split is shown below, showing a definite trend towards credit card payments (↑4%) and away from cheques (↓4%) from the average over 2014/15. Direct Debits are down (↓1%) and BACS payments are up (↑1%)





EXPENDITURE

Spending controls

The ICO is complying with the Cabinet Office Spending Controls Guidance v 4.0

https://www.gov.uk/government/publications/cabinet-office-controls/cabinet-office-controls-guidance-version-40

We are also required to obtain specific MOJ approval for any IT or communications spend over £50k for individual projects. We will only be required to report spend over £50k not included in the original budget. No such spend is known to have occurred to date.

Total office costs

There are quite a few categories within office costs that are over or under budget, as this is the first year we have separated out all of the distinct categories, the budget needs further work to make sure that each category is sufficiently resourced. Overall the budget is within 4% and not considered to be a risk of material over or underspend. This is being monitored closely.

Total staff FTE report and costs

Staff costs have come in £222k (3%) below forecasts for September. Although this is a considerable amount to be underspent at the half year point, there are some mitigating factors that allow us to gain some comfort with staff costs;

As at the date of this report 12 October 2015, staff FTE was at 392.8 (383.8 at 30 September 2015) and there were over 26 staff within clearing, either security clearing or notice period, which means that by November we expect to be slightly over compliment. This will reduce the budget underspend over the next six months.

Since we have not finally agreed the pay increase in July 2015, we have not accrued for the additional costs which we estimate to be £60k which will also reduce the underspend.

Training and Recruitment

Recruitment is over budget by £30k, largely due to the costs of recruitment of a new deputy commissioner (c. £10k) and other large scale recruitment drives to keep staff expenditure on track. There are some minor underspends amongst training, although expectation is that the overall spend will be to budget.

IT Costs – Service Delivery

IT spend overall is to budget (within 6%), there are some fluctuations against budget lines where the spend is determined by usage – software licensing, printing usage and telephony, which is to be expected.

Considering the major business impact of the IT incident in May, the actual realised costs (outside resource downtime) have been kept to a minimum and have been estimated at less than £15k. This additional cost has been included within App & Desktop Support.

IT Projects

There is an underspend within IT projects of £190k (40%). This budget tends to be back end loaded due to the time it takes to mobilise projects after budget approval, however it is expected to spend to budget.

Communications Spend

Due to the almost seasonal nature of the communications spend especially within Campaigns, Print & Conferences we expect to see a deviation to the profiled budget. This will continue to improve as the months move on and we can profile more accurately. After review, no particular risk area has been identified with the communications spend.

Banking, finance & audit costs

Finance costs are as expected.

Staff travel

Overall staff travel is within 10% of budget, however there are significant fluctuations within departments with some underspending and some set to overspend due to various uplifts in the travel required. Budget virements have been agreed within departments and no uplift will be required overall.

Legal, professional & other

Legal & other costs are underspending by £54k, the majority of which is due to a £31k underspend on legal, £10k underspend on privacy seals and £7k on research. Legal and research budgets fluctuate based on caseload, but consistently spend to budget overall. The privacy seals project has only been commissioned late in the year and is also expected to spend to budget.

CAPITAL EXPENDITURE

Across the IT project expenditure, approximately £200k is capital in nature. This will be confirmed during a detailed capital review later in the year.

Civil Monetary Penalties

The current debtor of CMPs owed to the ICO as at 30 September 2015 is £366,110.

B/f 2014-15	*142,500*
Issued penalties gross	665,000
Issued penalty increase post appeal	-
Issued prompt payment discount	(68,000)
Net	**739,500**
Paid	(298,390)
Impaired	(75,000)
Balance	**366,110**

Prompt Payment Statistics

Number Invoices April - September	3126	
Number invoices paid within 5 days	825	26%
Number invoices paid within 30 days	2969	95%
Number invoices paid greater 30 days	157	5%

Simon Entwisle, Deputy Chief Executive Officer
September 2015

MANAGEMENT REPORT

For the Six Months Ending 30 September 2015

	Year To Date				Full Year			
	BV2 SEPT 15 (£)	Actual	Variance	Var %	BV2 SEPT 15 (£)	Forecast (£)	Variance	Var %
GRANT IN AID	1,858,333	1,858,334	(1)	0%	3,681,600	3,681,601	(1)	0%
DP FEE INCOME	8,693,376	8,790,099	(96,723)	(1%)	18,000,000	18,096,723	(96,723)	(1%)
DRIPA INCOME	165,000	165,000	0	0%	330,000	330,000	0	0%
BANK INTEREST	0	87	(87)	0%	0	87	(87)	0%
TOTAL INCOME	**10,716,709**	**10,813,519**	**(96,811)**	**(1%)**	**22,011,600**	**22,108,411**	**(96,811)**	**0%**
Income Check	*(10,716,709)*	*(10,813,519)*	*96,811*	*(1%)*	*(22,011,600)*	*(22,108,411)*	*96,811*	*0%*
RENT	379,635	360,978	18,657	5%	759,270	740,613	18,657	2%
RATES	117,024	123,863	(6,838)	(6%)	234,049	240,887	(6,838)	(3%)
SERVICE CHARGES	13,000	16,991	(3,991)	(31%)	26,000	29,991	(3,991)	(15%)
CAR PARKING	64,488	51,155	13,333	21%	117,576	104,243	13,333	11%
HEAT & LIGHT	39,000	37,556	1,444	4%	89,100	87,656	1,444	2%
WATER	7,998	7,486	513	6%	16,000	15,488	513	3%
CLEANING	26,000	29,124	(3,124)	(12%)	52,000	55,124	(3,124)	(6%)
SECURITY	27,216	32,803	(5,587)	(21%)	48,432	54,019	(5,587)	(12%)
WASTE	2,028	2,886	(858)	(42%)	4,056	4,914	(858)	(21%)
STORAGE	6,936	10,904	(3,968)	(57%)	13,872	17,840	(3,968)	(29%)
REPAIRS & MAINTENANCE	73,700	66,526	7,174	10%	100,219	93,046	7,174	7%
MOTOR COSTS	1,002	627	375	37%	2,000	1,625	375	19%
KITCHEN	10,750	22,053	(11,303)	(105%)	21,500	32,803	(11,303)	(53%)
FURNITURE	11,736	2,867	8,869	76%	23,475	14,606	8,869	38%
GENERAL EQUIPMENT	22,502	6,070	16,432	73%	55,000	38,568	16,432	30%
STATIONERY	15,000	12,997	2,003	13%	30,000	27,997	2,003	7%
POSTAGE	30,423	35,647	(5,224)	(17%)	60,845	66,069	(5,224)	(9%)
DOCUMENT DESTRUCTION	4,998	2,719	2,279	46%	10,000	7,721	2,279	23%
TOTAL OFFICE COSTS	**853,436**	**823,250**	**30,185**	**4%**	**1,663,394**	**1,633,209**	**30,185**	**2%**
SALARIES	5,364,913	5,138,857	226,056	4%	11,098,254	10,872,198	226,056	2%
OVERTIME	40,000	42,104	(2,104)	(5%)	80,000	82,104	(2,104)	(3%)
PENSION	1,117,921	1,049,833	68,088	6%	2,308,864	2,240,776	68,088	3%
NATIONAL INSURANCE	375,831	365,904	9,927	3%	777,309	767,382	9,927	1%
AGENCY STAFF	0	159,268	(159,268)	0%	0	159,268	(159,268)	0%
SALARIES INCOME	0	(63,756)	63,756	0%	0	(63,756)	63,756	0%
PENSION INCOME	0	(12,587)	12,587	0%	0	(12,587)	12,587	0%
NATIONAL INSURANCE INCOME	0	(5,364)	5,364	0%	0	(5,364)	5,364	0%
NON EXEC BOARD MEMBER	25,250	27,816	(2,566)	(10%)	50,500	53,066	(2,566)	(5%)
TOTAL STAFF COSTS	**6,923,915**	**6,702,074**	**221,841**	**3%**	**14,314,927**	**14,093,086**	**221,841**	**2%**
RECRUITMENT	25,002	55,092	(30,090)	(120%)	50,000	80,090	(30,090)	(60%)
HEALTH & SAFETY	12,498	21,426	(8,928)	(71%)	25,000	33,928	(8,928)	(36%)
FURTHER EDUCATION	3,000	0	3,000	100%	6,000	3,000	3,000	50%
TRAINING COURSES	4,427	17,928	(13,501)	(305%)	30,104	43,605	(13,501)	(45%)
CONFERENCES	42,000	29,217	12,783	30%	84,000	71,217	12,783	15%
MANAGEMENT DEVELOPMENT	12,000	8,297	3,703	31%	24,000	20,297	3,703	15%
TOTAL TRAINING AND RECRUITMENT	**98,927**	**131,961**	**(33,034)**	**(33%)**	**219,104**	**252,138**	**(33,034)**	**(15%)**

MANAGEMENT REPORT

For the Six Months Ending 30 September 2015

	Year To Date				Full Year			
	BV2 SEPT 15 (£)	Actual	Variance	Var %	BV2 SEPT 15 (£)	Forecast (£)	Variance	Var %
HOSTING, WEB AND TELEPHONY	359,998	373,429	(13,431)	(4%)	719,997	733,428	(13,431)	(2%)
APP & DESKTOP SUPPORT	340,002	363,815	(23,813)	(7%)	680,000	703,813	(23,813)	(4%)
SOFTWARE LICENSING	142,500	175,556	(33,056)	(23%)	285,000	318,056	(33,056)	(12%)
SECURITY CONTRACT	7,000	7,283	(283)	(4%)	50,000	50,283	(283)	(1%)
NOTIFICATION PRINTING	77,502	99,897	(22,395)	(29%)	155,000	177,395	(22,395)	(14%)
MANAGED PRINT	21,114	13,409	7,705	36%	42,231	34,526	7,705	18%
HARDWARE MAINTENANCE	40,002	19,970	20,032	50%	80,000	59,968	20,032	25%
GOV SECURE INTERNET	64,980	44,606	20,374	31%	130,000	109,626	20,374	16%
TELEPHONY CALLS & BROADBAND	46,002	63,434	(17,432)	(38%)	92,000	109,432	(17,432)	(19%)
TOTAL IT COSTS	**1,099,100**	**1,161,398**	**(62,298)**	**(6%)**	**2,234,228**	**2,296,526**	**(62,298)**	**(3%)**
ICE CRM DEVELOPMENT	110,000	74,232	35,768	33%	250,000	214,232	35,768	14%
FINANCE SYSTEM	0	5,384	(5,384)	0%	0	5,384	(5,384)	0%
MOBILE WORKING SOLUTIONS	0	3,441	(3,441)	0%	0	3,441	(3,441)	0%
DOCUMENT STORAGE SOLUTION	40,000	1,272	38,728	97%	100,000	61,272	38,728	39%
DIGITAL DELIVERY	65,000	5,528	59,472	91%	250,000	190,528	59,472	24%
INFRASTRUCTURE	120,000	89,826	30,174	25%	300,000	269,826	30,174	10%
OTHER PROJECT WORK	135,000	100,222	34,778	26%	315,000	280,222	34,778	11%
TOTAL PROJECT SPEND (INC CAPITAL)	**470,000**	**279,905**	**190,095**	**40%**	**1,215,000**	**1,024,905**	**190,095**	**16%**
CAMPAIGNS, MEDIA RELATIONS & PR	22,500	1,633	20,867	93%	45,000	24,133	20,867	46%
MEDIA MONITORING	22,500	32,215	(9,715)	(43%)	45,000	54,715	(9,715)	(22%)
DESIGN & PRINT	27,498	38,150	(10,652)	(39%)	55,000	65,652	(10,652)	(19%)
DISTRIBUTION	19,998	11,601	8,397	42%	40,000	31,603	8,397	21%
SURVEYS	33,000	4,888	28,112	85%	66,000	37,888	28,112	43%
CONFERENCES	54,998	72,839	(17,841)	(32%)	104,000	121,841	(17,841)	(17%)
CONFERENCE INCOME	0	(3,436)	3,436	0%	(44,000)	(47,436)	3,436	(8%)
ICON DEVELOPMENT	12,000	1,325	10,675	89%	24,000	13,325	10,675	44%
STAFF EVENTS	13,000	11,299	1,701	13%	16,000	14,299	1,701	11%
WEB MAINTENANCE	15,000	25,124	(10,124)	(67%)	30,000	40,124	(10,124)	(34%)
TOTAL COMMUNICATIONS	**220,494**	**195,637**	**24,857**	**11%**	**381,000**	**356,143**	**24,857**	**7%**
BANK CHARGES	20,000	20,466	(466)	(2%)	40,000	40,466	(466)	(1%)
CARD PROCESSING CHARGES	36,000	36,490	(490)	(1%)	72,000	72,490	(490)	(1%)
EXTERNAL AUDIT	15,000	15,000	0	0%	30,000	30,000	0	0%
INTERNAL AUDIT	18,684	18,979	(295)	(2%)	37,368	37,663	(295)	(1%)
TOTAL FINANCIAL COSTS	**89,684**	**90,935**	**(1,251)**	**(1%)**	**179,368**	**180,619**	**(1,251)**	**(1%)**
TRAVEL UK	182,008	165,526	16,482	9%	390,000	373,518	16,482	4%
TRAVEL OVERSEAS	35,004	39,860	(4,856)	(14%)	55,000	59,856	(4,856)	(9%)
TRAVEL INCOME - UK	0	(2,726)	2,726	0%	0	(2,726)	2,726	0%
TRAVEL INCOME - OVERSEAS	0	(6,331)	6,331	0%	0	(6,331)	6,331	0%
TOTAL TRAVEL	**217,012**	**196,329**	**20,683**	**10%**	**445,000**	**424,317**	**20,683**	**5%**
LEGAL	103,425	72,488	30,937	30%	299,500	268,563	30,937	10%

MANAGEMENT REPORT

For the Six Months Ending 30 September 2015

	Year To Date				Full Year			
	BV2 SEPT 15 (£)	Actual	Variance	Var %	BV2 SEPT 15 (£)	Forecast (£)	Variance	Var %
LEGAL COSTS RECOVERED	0	(2,238)	2,238	0%	0	(2,238)	2,238	0%
LIBRARY & SUBSCRIPTIONS	39,744	35,409	4,335	11%	79,500	75,165	4,335	5%
PROFESSIONAL SUBS	6,772	7,673	(901)	(13%)	13,544	14,445	(901)	(7%)
SUBSISTENCE	0	178	(178)	0%	0	178	(178)	0%
RESEARCH	20,000	13,428	6,572	33%	50,000	43,428	6,572	13%
PRIVACY SEALS	16,665	6,170	10,495	63%	50,000	39,505	10,495	21%
PROFESSIONAL SERVICES	89,746	86,391	3,355	4%	182,500	179,145	3,355	2%
OTHER	0	3,081	(3,081)	0%	0	3,081	(3,081)	0%
TOTAL LEGAL, PROFESSIONAL & OTHER	**276,352**	**222,579**	**53,772**	**19%**	**675,044**	**621,272**	**53,772**	**8%**
TOTAL COSTS	**10,248,919**	**9,804,067**	**444,852**	**4%**	**21,327,066**	**20,882,214**	**444,852**	**2%**
Cost check	*10,248,919*	*9,804,067*	*444,852*	*4%*	*21,327,066*	*20,882,214*	*444,852*	*2%*
SURPLUS	**467,789**	**1,009,452**	**(541,663)**	**(116%)**	**684,534**	**1,226,197**	**(541,663)**	**(79%)**

FTE Staff Analysis

Permanent Staff Band A	9.6	8.6	1.0	0.1	9.6	8.6	1.0	0.1
Permanent Staff Band B	34.7	21.9	12.8	0.4	34.7	21.9	12.8	0.4
Permanent Staff Band C	122.9	107.0	15.9	0.1	122.9	107.0	15.9	0.1
Permanent Staff Band D	92.9	88.8	4.1	0.0	92.9	88.8	4.1	0.0
Permanent Staff Band E	99.3	88.4	11.0	0.1	99.3	88.4	11.0	0.1
Permanent Staff Band F	42.4	44.3	(1.9)	0.0	42.4	44.3	(1.9)	0.0
Permanent Staff Band G	12.0	12.0	0.0	0.0	12.0	12.0	0.0	0.0
Permanent Staff Band H	3.0	3.0	0.0	0.0	3.0	3.0	0.0	0.0
Agency Staff Band A	0.0	1.0	(1.0)	0.0	0.0	1.0	(1.0)	0.0
Agency Staff Band B	0.0	5.0	(5.0)	0.0	0.0	5.0	(5.0)	0.0
Agency Staff Band C	0.0	1.8	(1.8)	0.0	0.0	1.8	(1.8)	0.0
Agency Staff Band D	0.0	2.0	(2.0)	0.0	0.0	2.0	(2.0)	0.0
Total FTE staff	**416.8**	**383.8**	**33.0**	**0.1**	**416.8**	**383.8**	**33.0**	**0.1**